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Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EB-07 SP-02 AID-05 NSC-05 RSC-01

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FM AMEMBASSY MOSCOW
TO SECSTATE WASHDC 5610
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C O N F I D E N T I A L MOSCOW 18900

E.O. 11652 GDS
TAGS: EEWT UR FR
SUBJ: FRENCH-SOVIET AGREEMENT REACHED FOR DOLS 154 MILLION HOTEL CONSTRUCTION

REF: MOSCOW A-459, NOV 27, 1974

1. DURING DEC 20 CALL ON AMBASSADOR, DAVID KARR, REPRESENTATIVE OF LAZARD FRERES, REPORTED THAT AGREEMENT HAD BEEN SIGNED DAY BEFORE WITH SOVIETS FOR FRENCH CONSTRUCTION OF FOUR HOTELS IN USSR AT TOTAL COST OF DOLS 154 MILLION. ANNOUNCEMENT OF AGREEMENT WILL BE MADE IN PARIS ON DEC 23. BASIC DETAILS OF HOTEL PROJECT AS GIVEN BY KARR ARE CORRECTLY REPORTED IN REF AIRGRAM, WITH EXCEPTION THAT INTEREST RATE WILL BE 6.45 PERCENT AND ONLY FOUR HOTELS ARE PLANNED AT TOTAL COST DOLS 154 MILLION, THREE TO BE LOCATED IN MOSCOW, INCLUDING ONE WHICH KARR SAID WOULD BE QTE FIVE-STAR UNTIL TURNED OVER TO THE SOVIETS UNQTE. GROUNDBREAKING FOR FIRST HOTEL IN OSTANKINO AREA WILL BE AROUND OCTOBER 1975 AND HOULD BE COMPLETED WITHIN ABOUT THIRTY MONTHS, IN TIME FOR 1980 OLYMPICS.

2. ON OTHER MATTERS KARR MENTIONED THAT COST OF INTERNATIONAL TRADE CENTER PLANNED FOR MOSCOW CONSTRUCTION
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BY OCCIDENTAL/BECHTEL GROUP NOW ESTIMATED AT ABOUT DOLS

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128 MILLION. PROFIT FROM PROJECT WILL BE APPROXIMATELY DOLS 14 MILLION, ACCORDING TO KARR. OCCIDENTAL AGREEMENT ON AMMONIA PLANTS INCLUDES PROVISION FOR TOTAL FIVE PER CENT COMMISSIONS, WHICH KARR ESTIMATES WILL TOTAL ABOUT DOLS ONE BILLION OVER 20-YEAR PERIOD. BRIEF HISTORY OF ARMAND HAMMER/OCCIDENTAL RE-ENTRY INTO SOVIET MARKET, AS RELATED BY KARR, PICTURES HAMMER STRONGLY RESISTING AND FINALLY AGREEING ONLY AFTER PRESSURE FROM KARR PERSONALLY. SOVIET DEALS CREDITED WITH SAVING OCCIDENTAL FROM COLLAPSE.

3. KARR MENTIONED THAT DURING LUNCH DEC 19 WITH GVISHIANI OF SCST LATTER HAD BEEN VERY PESSIMISTIC ABOUT CHANCES OF TRADE BILL PASSAGE, SPECIFICALLY POINTING OUT TASS STATEMENT AND GROMYKO LETTER AND REFERRING TO SEVERAL UNDESIRABLE AMENDMENTS TO BILL. ON OTHER HAND, KARR FOUND DEPUTY FOREIGN TRADE MINISTER ALKHIMOV AND FOREIGN TRADE BANK CHAIRMAN IVANOV CONFIDENT THAT BILL WOULD BE PASSED, HINTING THAT SOVIET ACTION IN RELEASING LETTER WOULD BE UNDERSTOOD BY ALL AS AIMED AT DOMESTIC AUDIENCE.
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